ALGONQUIN MERCANTILE CORPORATION

22nd Annual Report
For the Fiscal Year Ended
June 30, 1978

ALGONQUIN MERCANTILE CORPORATION

HEAD OFFICE

Suite 200, 931 Yonge Street, Toronto, Ontario M4W 2H7

MANUFACTURING DIVISIONS

R.J. Jalonen, General Manager . . . . Coupco Division
570 Coronation Drive, Scarborough, Ontario

R.G. Taylor, General Manager . . . . AMC Appliances Limited
100 Penn Drive, Weston, Ontario

PRINCIPAL OPERATING SUBSIDIARIES

Hardee Farms International Ltd.
Suite 200, 931 Yonge Street, Toronto, Ontario

The Baxter Canning Co. Limited
7 Stanley Street, Bloomfield, Ontario

Federal Diversiplex Limited
Suite 200, 931 Yonge Street, Toronto, Ontario

Creston Valley Foods Ltd.
P.O. Box 5000, Creston, British Columbia

ALGONQUIN MERCANTILE CORPORATION

BOARD OF DIRECTORS

W.R. Abbott	Don Mills, Ontario
*D.S. Anderson	Willowdale, Ontario
C.H. Franklin	Willowdale, Ontario
*R.M. Franklin	Toronto, Ontario
F.D. Lace	Toronto, Ontario
*C.C. Laking	Willowdale, Ontario
**E.R.S. McLaughlin	Oshawa, Ontario
*D.E. McQuigge	Toronto, Ontario
A.W. Walker	Willowdale, Ontario

Audit Committee Chairman (**) and Members (*)

OFFICERS

C.H. Franklin	Chairman of the Board and Chief Executive Officer
A.W. Walker	President
R.M. Franklin	Executive Vice-President
W.R. Abbott	Secretary
D.H. Kirstine	Treasurer

HEAD OFFICE

931 Yonge Street . . . . . Toronto, Ontario M4W 2H7

AUDITORS

Coopers & Lybrand . . . . . Toronto, Ontario

SOLICITORS

Fasken & Calvin . . . . . Toronto, Ontario

TRANSFER AGENTS & REGISTRAR

The Royal Trust Company . . . . . Toronto, Ontario

BANKERS

The Royal Bank of Canada
Canadian Imperial Bank of Commerce

STOCK LISTING

Toronto Stock Exchange

ANNUAL GENERAL MEETING

The Annual Meeting of Shareholders will be held in the Alberta Room of the Royal York Hotel, 100 Front Street West, Toronto, Ontario at 11.30 o'clock in the forenoon on Tuesday November 21, 1978.

ALGONQUIN MERCANTILE CORPORATION

Chairman's Report to Shareholders

Consolidated results for the year ended June 30, 1978 are herein reported.

Principally due to the Hardee Farms International Ltd. loss, Algonquin recorded a $1,088,593 consolidated loss for the fiscal year.

This situation is expected to reverse during the fiscal year ended June 30, 1979 for the following reasons:

(1) Hardee and its subsidiaries anticipate a partial return to normal agricultural and market conditions and have taken steps to ensure against the disastrous loss attributable to Ontario Farm Products Marketing Board requirements in their french fry potato operations.

(2) Anticipated improved results for the Coupco and AMC Appliances Divisions.

(3) Increased investment income.

Subsequent to the June 30th year-end, two items of consequence occurred:

(1) Following representation to the Provincial government, a letter was received announcing the partial removal of "greenbelt" restrictions on the residual 92 acres of Rivalda Farms land situated on Weston Road in Vaughan Township. It appears this land may now be rezoned for compatible low density, low rise industrial-commercial structures. The Company's planning consultants have advised that subject to anticipated re-zoning, this land may now be worth in excess of $5,000,000.

(2) Private sale was made of the Company's shareholding in Consumers Glass Company Limited for a realized pre-tax profit in excess of $1.8 million.

Minor repurchases of previously issued shares reduced the outstanding Algonquin capital stock at the fiscal year-end to 201,888 Class A preference shares and 444,238 common shares. Future purchase of common shares is restricted subject to prior published notification, but the Corporation is still permitted to repurchase Class A preference shares when and if they are offered.

During the fiscal year, 312,400 common shares and $356,200 of convertible income debentures of Kaps Transport Ltd. were purchased.

The option held to purchase 40% of the common stock of Husky Injection Molding Systems Ltd. was allowed to expire, but Husky is currently paying interest on the $250,000 note and providing sinking fund for repayment of the capital sum.

It is noted with extreme regret the passing of Mr. William B. Macdonald during the year. Mr. Macdonald had been a director of Algonquin since 1962 and his counsel and co-operation were of great assistance to your Company.

Your directors thank all customers, suppliers, personnel and friends for their able assistance and support and look forward to an improved result for 1979.

On behalf of the Board,

C. H. Franklin

September 15, 1978. C.H. Franklin, *Chairman*

President's Message

Although parent company operations for the year were somewhat below expectations, results were considered generally satisfactory in view of prevailing competitive conditions.

However, the extremely adverse results of our 57% controlled subsidiary Hardee Farms International Ltd. severely impacted Algonquin's consolidated operating performance.

Parent Company Operations

The Coupco division experienced reduced volume and profitability due primarily to increased competition and reduced activity in the mining and construction areas. Despite the year's results, improved profitability and expanded volume are reasonable expectations for this division.

During the year Algonquin purchased a 50% interest in a new entity, Intertech Industries Inc. of Hawthorne, New Jersey. This organization was established to market the Couplox line of products in the U.S.A. The operating head of this organization is a shareholder and has vast experience in the grooved coupling industry in the U.S. market. It is anticipated that this operation will contribute both to Algonquin on a return on investment basis as well as to the Coupco division in terms of increased efficiencies through greater volume and wider market areas.

Management determined during the year that a viable market for the Straub line of products was not possible and that operation was terminated and the investment written off.

The results of AMC Appliances Ltd. showed an improvement over the previous year and gross margin levels and anticipated sales volumes indicated 1978/79 will be significantly profitable.

The electric kettle has been approved for sale in the U.S. and introductory sales occurred during the last weeks of the year. This represents a major opportunity for AMC Appliances as electric kettles are virtually a new appliance to the American public. The combination of high energy costs and a switch from the traditional gas range to electric ranges has caused an awareness of the efficiency of the electric kettle thus opening up an entirely new market.

AMC Appliances has benefitted from the sale of its stamping operation and production efficiency is much improved. Proposed relocation in a leased premise of approximately 20,000 square feet will also contribute to better operation and reduced costs through improved material handling, better production flow and elimination of custom warehousing.

New product lines are being sought and the Company is presently negotiating on two such items which will contribute to the operation on a profit basis as well as eliminating some of the seasonality of the business.

Hardee Farms' Operations

Adverse results of the past year stemmed chiefly from the commodity character of Hardee's basic agricultural business and the fact that several normally contributive activities turned negative within a single twelve month period.

Agriculturally, it will be remembered that for several weeks last fall it rained continuously throughout Hardee's entire southern Ontario farming area. A prospective bumper crop in August suddenly became a harvesting nightmare for September and October. As a consequence agricultural results were substantially poorer than those of the former year and for the second successive year farming returns remained well below previously established averages. Trading margins of the Bradford and Quebec fresh vegetable produce divisions were also adversely affected by these unusual fall weather conditions.

Contrary to the circumstances which applied in southern Ontario, growing and harvesting conditions for potato farmers in most parts of North America and Europe were particularly favourable last year so that Canada's domestic potato surplus did not have any significant export outlet and relatively low farm level potato prices prevailed. In spite of this continental situation, Ontario potato growers organized under Provincial Marketing Board Regulations, insisted on maintaining pre-season contract prices which were approximately double those being paid at delivery dates by processors elsewhere in Canada. Hardee was thus obliged to take delivery of contracted quantities of potatoes at uncompetitive costs for sale into the most keenly competitive frozen french fried potato market seen in Canada for many years. The result was that for the first time in its history Hardee recorded substantial losses on the production and sale of frozen french fries. This factor alone accounted for most of the past year's reversal in operating results.

Because of this costly experience Hardee has refused to enter into pre-season contracts with Ontario potato growers for the current year and has suspended french fry production until fall when limited processing will be resumed.

Markets for seasonal canned commodities such as peas, tomatoes, and tomato juice remained weak throughout the past year and consequently results of The Baxter Canning Company continued to be unsatisfactory. However, significant advances were made in the development of non-seasonal business and the gains from these efforts will be of benefit to the current and future years.

The return to more reasonable inventory positions for most frozen vegetable processors in North America was accompanied by firmer margins for frozen vegetables during the past year and it is anticipated that this trend will continue into the present year. Results of the HONEYDEW division were particularly good and operations of the Freeze Dry Foods Division were again favourable against those of the previous year due to substantially increased bulk export volume. The Kirkwood Kitchens Division was successful in the retail introduction of convenient frozen quiche products during the past year and is presently active in introducing a frozen western sandwich mix prepared especially for the food service trade. These products with microwave convenience, already successful in Canada, have recently been most favourably received in selected United States markets.

For several years, results of Hardee's Quebec Division have been unfavourable and opportunities for improvement did not appear promising. It was therefore decided that this operation should be disposed of and a small gain was realized on that sale during the past year. A profit was also realized on the sale of a portion of the old Christie Automotive property in Toronto and has been reflected as extraordinary income in the accompanying accounts.

Unanticipated difficulties were encountered in the agricultural bag business of Bestpac Limited in which Federal Diversiplex Limited held the controlling interest. Competition for North American markets from low wage Asian countries became sufficiently intense that it was decided to terminate operations. The full amount of Federal's investment in this subsidiary has been written off.

Although Federal's extensive agricultural operations provide long-term use for the vacuum-cooling plant and the large controlled crop storage buildings at Bradford, the former main produce packing plant at that location has been inactive for several years. This building together with an adjoining small structure was sold and the related profit appears as an extraordinary income item of the past year.

Considerable progress was made during the period by Federal's 65% controlled subsidiary Creston Valley Foods Ltd. Test market response to the convenience of retort pouch processed small whole and sliced potatoes has been sufficiently encouraging to warrant a shift in current emphasis toward these unique products rather than on the previously contemplated displacement of frozen french fries. Packaging problems encountered last fall by Creston's pouch supplier resulted in costly production delays but with the supplier's guaranteed assurance that these difficulties have now been overcome, it is anticipated that commercial production volume will be achieved this fall.

Although Hardee results have been extremely disappointing for the past two fiscal years, current indicators suggest that barring any unanticipated late season agricultural reversal, actions taken over recent months should result in a return to profitable operations for the current year.

AW Walker

September 15, 1978

A.W. Walker, *President*

CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 1978

ASSETS

	1978 $	1977 $
CURRENT ASSETS		
Accounts receivable	3,517,768	3,355,824
Inventories	8,231,286	8,631,000
Prepaid crop and other expenses	1,123,779	1,257,072
Current portion of mortgages receivable	354,251	111,030
Income taxes recoverable	101,245	—
	13,328,329	13,354,926
INVESTMENTS (notes 3 and 8)	5,813,789	4,506,563
INVESTMENT IN UNCONSOLIDATED SUBSIDIARY (note 4)	429,694	159,677
FIXED ASSETS (note 5)	11,011,268	11,838,018
OTHER LAND (note 6)	872,525	862,574
TRADEMARKS	499,880	507,186
EXCESS OF PURCHASE PRICE OF SHARES OF SUBSIDIARIES OVER BOOK VALUE THEREOF	620,081	662,305
SIGNED ON BEHALF OF THE BOARD C.H. Franklin, *Director* E.R.S. McLaughlin, *Director*	32,575,566	31,891,249

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Algonquin Mercantile Corporation as at June 30, 1978 and the consolidated statements of loss, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

LIABILITIES

	1978 $	1977 $
CURRENT LIABILITIES		
Bank advances and acceptances (note 7)	8,864,168	8,484,949
Accounts payable and accrued liabilities	3,483,782	3,005,909
Income taxes payable	—	135,922
Current portion of long-term debt	1,064,741	990,758
	13,412,691	12,617,538
LONG-TERM DEBT (note 8)	7,805,208	6,015,040
DEFERRED INCOME TAXES	269,000	285,000
MINORITY INTEREST (note 9)	2,993,286	3,706,095
	24,480,185	22,623,673

SHAREHOLDERS' EQUITY

	1978 $	1977 $
CAPITAL STOCK (note 10)		
Authorized —		
926,728 5¢ Class A, non-voting, non-cumulative participating preference shares without par value		
500,000 common shares without par value		
Issued and fully paid —		
201,888 (1977—203,074) Class A preference shares		
444,238 (1977 — 446,288) common shares	3,176,732	3,195,640
RETAINED EARNINGS	4,918,649	6,071,936
	8,095,381	9,267,576
	32,575,566	31,891,249

In our opinion, these consolidated financial statements present fairly the financial position of the company as at June 30, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
August 11, 1978

COOPERS & LYBRAND
Chartered Accountants

CONSOLIDATED STATEMENT OF LOSS

FOR THE YEAR ENDED JUNE 30, 1978

	1978 $	1977 $
SALES		
Processed and fresh vegetables	26,328,498	26,082,895
Other	6,648,633	6,587,224
	32,977,131	32,670,119
COST OF SALES AND OTHER EXPENSES	32,239,660	31,198,309
DEPRECIATION	797,487	716,729
	33,037,147	31,915,038
LOSS (EARNINGS) FROM OPERATIONS BEFORE INTEREST	60,016	(755,081)
INTEREST (note 8)	1,555,026	1,415,790
LOSS FROM OPERATIONS BEFORE INCOME TAXES	1,615,042	660,709
RECOVERY OF (PROVISION FOR) INCOME TAXES		
Current	27,000	(30,217)
Deferred	16,000	267,172
	43,000	236,955
	1,572,042	423,754
MINORITY INTEREST IN LOSS OF SUBSIDIARIES	605,050	298,681
LOSS BEFORE EXTRAORDINARY ITEMS	966,992	125,073
EXTRAORDINARY ITEMS (note 11)	121,601	(669,255)
NET LOSS (EARNINGS) FOR THE YEAR	1,088,593	(544,182)
PER COMMON SHARE		
Loss for the year before extraordinary items	$1.49	$ .18
Net loss (earnings) for the year	$1.68	($ .79)

Loss (earnings) per common share on a fully diluted basis is not significantly different from that reported above. The loss (earnings) per share has been calculated for 1978 on 647,211 shares and for 1977 on 689,485 shares. The Class A preference shares have been treated as common shares for purposes of the calculation.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED JUNE 30, 1978

	1978 $	1977 $
RETAINED EARNINGS — BEGINNING OF YEAR	6,071,936	5,597,931
Net loss (earnings) for the year	1,088,593	(544,182)
	4,983,343	6,142,113
Dividends	64,694	70,177
RETAINED EARNINGS — END OF YEAR	4,918,649	6,071,936

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED JUNE 30, 1978

	1978	1977
	$	$
SOURCE OF FUNDS		
Long-term debt incurred	2,647,595	2,572,500
Proceeds on disposal of fixed assets and other land	1,276,448	1,843,449
Proceeds on disposal of investments	151,971	320,824
Reduction of income taxes arising from prior years	27,000	14,168
	4,103,014	4,750,941
USE OF FUNDS		
Loss for the year before extraordinary items	966,992	125,073
Depreciation and other items not requiring an outlay of funds	(851,101)	(450,318)
	115,891	(325,245)
Purchase of fixed assets	995,023	2,255,973
Purchase of investments	1,084,812	1,023,454
Retirement of long-term debt	857,427	1,918,672
Mortgages receivable from disposal of fixed assets	462,000	390,000
Purchase of Algonquin Mercantile Corporation shares —		
Common	13,394	69,657
Preference	5,514	281,335
Purchase of minority interest shares of subsidiaries	38,473	137,342
Minority interest in loss of subsidiaries	605,050	291,632
Trademarks and process development costs	2,694	61,306
Investment in unconsolidated subsidiary	270,017	—
Dividends paid	64,694	70,177
Dividends paid by a subsidiary	—	61,459
Investment in and advances to Bestpac Limited	203,094	112,000
Start-up costs written off on discontinuance of operations of Straub Industries Inc.	206,681	—
Non-current assets acquired on purchase of shares of AMC Appliances Limited	—	48,240
	4,924,764	6,396,002
DECREASE IN WORKING CAPITAL	821,750	1,645,061
WORKING CAPITAL — BEGINNING OF YEAR	737,388	2,382,449
WORKING CAPITAL (DEFICIENCY) — END OF YEAR	(84,362)	737,388

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 1978

1. SUMMARY OF ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements include the accounts of the company and all subsidiary companies except Creston Valley Foods Ltd. (see note 4) at their respective fiscal year-ends with appropriate provision for minority interests. The results of all subsidiaries are included from the dates of acquisition and are accounted for as purchases.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.

(c) Prepaid crop expenses

Crop expenses attributable to the current farm program are included in prepaid crop expenses.

(d) Fixed assets

Fixed assets are depreciated principally on a straight-line basis over their estimated useful lives as follows:

Buildings — 20 to 40 years
Equipment — 7 to 17 years

(e) Trademarks

This asset is carried at cost, since it is not anticipated that its inherent worth will decline below cost.

(f) Excess of purchase price of shares

Acquisition costs of each purchased subsidiary are allocated to that subsidiary's identifiable net assets on the basis of estimated fair values at the date of acquisition with any excess being carried as excess of purchase price of shares of subsidiaries over book value thereof. All such excesses of purchase price arose prior to April, 1974 and are not being amortized so long as there is no evidence of impairment in value.

(g) Income taxes

The companies follow the tax allocation method of providing for income taxes. Under this method timing differences between reported and taxable income result in adjustments to deferred income taxes.

2. ACQUISITIONS OF MINORITY INTEREST OF SUBSIDIARIES

During the year the company increased its investment in Hardee Farms International Ltd. to 57.47% of the outstanding common shares of that company, and Hardee increased its investment of common shares in Federal Diversiplex Limited to 86.9% and in The Baxter Canning Co. Limited to 71.43%.

3. INVESTMENTS

Investments are as follows:	1978		1977	
	Cost $	Market $	Cost $	Market $
238,623 common shares (1977 — 221,983 common shares) of Consumers Glass Company Limited	2,724,627	4,295,214	2,493,118	2,885,780
312,400 common shares of Kaps Transport Ltd.	395,040	421,740	—	—
$356,200 10% convertible income debentures of Kaps Transport Ltd. The debentures are convertible to 712,400 common shares up to October 31, 1979	356,200	961,740	—	—
125,000 common shares of J. Harris & Sons Limited	540,490	812,500	540,490	443,750
505,000 common shares of Tintina Silver Mines Limited	251,281	303,000	251,281	111,100
20,000 common shares of Alliance Building Corporation Limited	100,985	100,000	100,985	72,300

15,000 common shares of Canadian Manoir Industries Limited	73,343	84,375	73,343	63,750
Sundry investments in other Canadian companies	79,406	85,172	69,318	68,790
	4,521,372	7,063,741	3,528,535	3,645,470

Sundry mortgages maturing over terms of up to nine years with interest rates ranging from 8% to 13%	1,340,483	727,058
Less: Current portion	354,251	111,030
	986,232	616,028
10% unsecured note due August 1, 1982 — Husky Injection Molding Systems Ltd.	250,000	250,000
Investment in Intertech Industries, Inc., representing 50% ownership	56,185	—
Investment in and advances to Bestpac Limited	—	112,000
	306,185	362,000
	5,813,789	4,506,563

Mortgages receivable include $171,529 in U.S. funds.

4. INVESTMENT IN UNCONSOLIDATED SUBSIDIARY

During the year Federal Diversiplex Limited (Federal), a subsidiary, invested technology together with cash of $250,000 to acquire 65% of the issued capital stock of Creston Valley Foods Ltd. (Creston). By agreement with the Province of British Columbia and Hardee Farms International Ltd. Federal may elect prior to April 15, 1980 to withdraw from Creston. If such an election is made, the shares would be returned to the Province after any net current assets are distributed to the shareholders. The unaudited financial position of Creston as at April 1, 1978, Federal's year-end was:

	$
Current assets	250,142
Current liabilities	99,588
Net current assets	150,554
Fixed assets	1,668,739
Technology, deferred development costs and other intangibles	687,566
	2,506,859
Long-term debt	1,756,849
Shareholders' equity	750,010

5. FIXED ASSETS

Fixed assets are as follows:	1978 $	1977 $
Buildings and equipment — at cost	15,028,799	15,676,384
Accumulated depreciation	6,581,793	6,541,888
	8,447,006	9,134,496
Land — at cost	1,964,262	2,103,522
Other lands (approximately 4,600 acres) — at values assigned by the directors in 1971	600,000	600,000
	2,564,262	2,703,522
	11,011,268	11,838,018

Two subsidiaries of the company have received forgiveable loans from government agencies. As at June 30, 1978 $50,000 remained to be forgiven in 1978. Based upon the expectation that the operations for which the loans were obtained will continue as required, the amount of the loans have been applied as a reduction in the cost of the related plant and equipment.

6. OTHER LAND

Other land consists of:

	1978 $	1977 $
Rivalda Farms — at cost, plus carrying charges	756,824	746,873
Other	115,701	115,701
	872,525	862,574

The Rivalda Farms property is located within a parkway belt around Metropolitan Toronto established by the Province of Ontario, which restricts the use of the land. The directors are satisfied as to the carried values of the land.

7. BANK ADVANCES AND ACCEPTANCES

Bank advances and acceptances are secured by a pledge of shares in subsidiaries, assignment of book debts, inventories and fire insurance policies and a $3,500,000 debenture on the assets of a subsidiary company.

8. LONG-TERM DEBT

Long-term debt is as follows:

	Current portion $	Long-term portion $	Total 1978 $	Total 1977 $
Bank loans at interest rates ranging from prime plus 1-1/2% to prime plus 2%, due between October 10, 1979 and June 1, 1985	903,800	4,471,920	5,375,720	4,423,490
Sundry mortgages and notes at interest rates ranging from 8% to 10-3/8%, due between January 3, 1979 and June 30, 1987	160,941	1,066,288	1,227,229	1,641,308
Bank loan secured by holdings of long-term investments at interest rates ranging from prime plus 1% to prime plus 1-3/4%	—	2,267,000	2,267,000	941,000
	1,064,741	7,805,208	8,869,949	7,005,798

Interest on long-term debt for the current year amounted to $763,812.

9. MINORITY INTEREST

Minority interest is as follows:

	1978 $	1977 $
Hardee Farms International Ltd.	2,571,406	3,234,423
Federal Diversiplex Limited	421,880	462,309
The Baxter Canning Co. Limited	—	9,363
	2,993,286	3,706,095

10. CAPITAL STOCK

During the year the company acquired on the open market 1,186 Class A preference shares for $5,514. These shares have been cancelled from the authorized capital stock of the company. The company also acquired for treasury purposes, 2,050 common shares for $13,394.

Dividend payments, if any, in any fiscal year on the Class A non-cumulative preference shares and the common shares are to be made in the following order:

(a) A 5¢ dividend is to be paid on the preference shares before any dividend is paid on the common shares,

(b) then a 5¢ dividend is to be paid on the common shares, and

(c) then the same dividend is to be paid on the common and preference shares.

The Class A non-voting preference shares rank equally with the common shares in all other respects.

11. EXTRAORDINARY ITEMS

	1978 $	1977 $
Recovery of income taxes on application of current year's loss	(95,000)	—
Reduction of income taxes arising from prior years	(27,000)	(21,217)
Gain on sale of fixed assets	(251,112)	(655,087)
Loss on investment in and advances to Bestpac Limited on discontinuance of operations	315,094	—
Write-off of start-up costs of Straub Industries Inc. on discontinuance of operations	206,681	—
	148,663	(676,304)
Minority interest therein	27,062	7,049
	121,601	(669,255)

12. FUTURE INCOME TAXES

	Algonquin Mercantile Corporation $	Subsidiaries $
Losses available for tax purposes		
— expiring in 1982	—	666,000
— expiring in 1983	83,000	1,024,000
	83,000	1,690,000
Excess of depreciation recorded in the accounts over capital cost allowance claimed for tax purposes	8,000	1,803,000
The tax effects of the above have not been reflected in the accounts	91,000	3,493,000
In addition future income tax payments could be deferred by refiling tax returns and claiming additional capital cost allowance and deductions in respect of cumulative eligible capital in the amount of approximately	—	2,157,000
	91,000	5,650,000

13. REMUNERATION OF DIRECTORS AND OFFICERS

The aggregate direct remuneration paid by the company and its consolidated subsidiaries to the directors and senior officers (as defined in The Securities Act of Ontario) of the company during its fiscal year ended June 30, 1978 was $292,135.

14. ANTI-INFLATION ACT

The company is subject to restraint of dividends under the terms of the Anti-Inflation Act and Regulations which became effective October 14, 1975.

ALGONQUIN MERCANTILE CORPORATION
FIVE YEAR SUMMARY

	1978 $	1977 $	1976 $	1975 $	1974 * $
RESULTS FOR THE YEAR					
Sales	32,977,131	32,670,119	28,323,887	23,286,689	22,400,557
Earnings before the following	737,471	1,471,810	2,675,180	2,817,021	2,536,185
Depreciation	797,487	716,729	606,325	504,593	436,738
Interest	1,555,026	1,415,790	1,089,999	731,402	577,684
Income taxes	(43,000)	(236,955)	415,000	681,800	674,000
Minority interest (loss)	(605,050)	(298,681)	220,830	360,112	399,424
(Loss) earnings before extraordinary items	(966,992)	(125,073)	343,026	539,114	448,339
Extraordinary items	(121,601)	669,255	820,819	112,308	445,246
Net (loss) earnings	(1,088,593)	544,182	1,163,845	651,422	893,585
YEAR-END POSITION					
Total assets	32,575,566	31,891,249	28,751,325	25,014,510	20,703,272
Total liabilities	24,480,185	22,623,673	19,606,762	16,911,463	13,239,163
Shareholders' equity	8,095,381	9,267,576	9,144,563	8,103,047	7,464,109
PER SHARE OF CAPITAL STOCK					
(Loss) earnings before extraordinary items	($1.49)	(18¢)	47¢	73¢	61¢
Net (loss) earnings	($1.68)	79¢	$1.60	89¢	$1.22
Dividends	10¢	10¢	5¢	—	—
Equity	$12.53	$14.27	$12.77	$11.07	$10.15
Total shares outstanding	646,126	649,362	715,956	732,239	735,372

* Note (1) Because of a change in fiscal year-end, 1974 figures include audited six month results of Algonquin Mercantile Corporation itself, and audited twelve month results of Hardee Farms International Ltd.